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TOP SECRET

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SOVIET UNION

1. Soviet boycott on Western purchases may apply only to American goods:

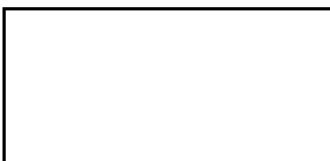
[redacted] 25X1
[redacted] states that the Soviet boycott on pur- 25X1
chases through Western brokers until after
the Geneva conference applies only to American goods, and not, [redacted]
[redacted] to "all commodities from all
Western countries."

Comment: The Soviet government may have stopped negotiations through brokers for American goods in the belief that prospects are good for the procurement of agricultural surpluses directly from the American government in exchange for such commodities as manganese and chrome ore.

FAR EAST

2. South Korea may reject American economic aid:

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South Korean prime minister Paek informed American aid officials on 25 April that if the United States continues to insist on Japan as a source of supply for aid goods, South Korea will have no alternative but to make a public statement rejecting any further American economic aid. The prime minister charged that the United States was attempting to build up Japan at Korea's expense.

Comment: South Korea imposed a complete embargo on purchases from Japan in March, and attempted to apply it to an FOA-financed contract. This is part of a current "hate Japan" campaign which has the primary purpose of forcing Japan to accede to South Korea's demands on property claims and fishing rights.

A public rejection of American aid would be in line with recent efforts of South Korea to show its independence of the United States.

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SOUTHEAST ASIA

3. French column near Dien Bien Phu has only diversionary purpose:

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A French Union column, consisting of two Laotian infantry battalions, a Laotian parachute battalion, and a mixed Laotian-French Foreign Legion battalion, was

astride the Nam Ou River 35 miles southwest of Dien Bien Phu on 25 April, according to the US army attaché in Saigon. The mission of this column is to divert four Viet Minh battalions from joining the forces surrounding Dien Bien Phu.

The attaché reports the column will be unable to influence the action at the beleaguered post unless it is reinforced to several times its present size and given adequate air support.

Comment: The two Laotian infantry battalions are not of high combat efficiency. The usefulness of this column is further reduced by the extremely difficult terrain between it and Dien Bien Phu which prevents the movement of heavy equipment. The force has no armor and no artillery other than light mortars.

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NEAR EAST-AFRICA

6. Comment on selection of Nuri Said to form Iraqi cabinet:

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King Faisal's request that Nuri Said, dominant member of parliament, form a new cabinet indicates that Iraq will continue to have a pro-Western government.

Nuri Said, who has been prime minister 11 times in the 33 years of modern Iraq's history, strongly favors Iraqi adherence to the Turkish-Pakistani pact.

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His recent suggestion that the pact be given an anti-Israeli twist to satisfy Arab popular opinion shows that he will drive as hard a bargain on the pact as retiring prime minister Jamali did on the recently concluded American-Iraqi arms aid agreement. [REDACTED]

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7. Comment on Saudi tanker agreement threatening American interests:

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The tanker agreement recently signed by Saudi Arabia and wealthy Greek shipowner A. S. Onassis, who is now under indictment by the United States for fraud, threatens American commercial and strategic interests in the Middle East.

The agreement is reliably reported to grant a tanker company organized by Onassis the exclusive right to transport all Saudi oil beyond that carried in tankers which were in the service of the four American parent companies of the Arabian-American Oil Company (ARAMCO) at the close of 1953. At present this amounts to approximately 10 percent of Saudi exports and includes that now transported by the US navy in its own or chartered tankers. Thus virtual control of this source of oil for the American armed services would be placed in the hands of a foreign shipping enterprise.

The agreement violates the oil concession in which Saudi Arabia granted ARAMCO the exclusive right to market Saudi oil, and is considered likely to have a disastrous effect on established sale outlets for Saudi Arabian oil.

British embassy representatives in Washington have advised the United States that they believe Onassis is trying to negotiate a contract with Iraq, and possibly Iran, under which he would be given the right to transport all or part of the crude oil produced by those countries. [REDACTED]

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WESTERN EUROPE

8. New Belgian cabinet less favorable toward European integration:

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The attitude of the new Socialist-Liberal coalition cabinet in Belgium toward European integration, NATO policies, and general American objectives is "somewhat less favorable" than that of the previous Social Christian government, according to Ambassador Alger. He notes, however, that the cabinet contains three outstanding advocates of European integration, including Foreign Minister Paul-Henri Spaak.

Communications Minister Anseele, a Socialist, is the only cabinet member outspokenly opposed to integration. Premier van Acker voted against the Coal-Steel Community treaty and is lukewarm toward Benelux economic union, but voted for the EDC. Foreign Commerce Minister Larock, also a Socialist, favors East-West trade expansion.

Comment: Former prime minister Spaak, a persuasive advocate of European integration, will probably be able to prevent any major shift in Belgium's role in the Atlantic alliance. At present he, together with the Dutch and Luxembourg foreign ministers, is seeking a formula to satisfy the French Socialist Party's objections to EDC.

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